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Press Release

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Attorney General McGraw Joins Consumer Federation of America and others to "Tear Up" Fake Check Scams

Attorney General Darrell McGraw's Consumer Protection Division has been a member of the Consumer Federation of America's Fake Check Task Force since its inception one year ago. Today, the Task Force is launching a national campaign to combat fake check scams.

Millions of consumers are lured into cashing genuine-looking checks and money orders and wiring part of the proceeds to crooks in return. According to the results of a CFA survey, nearly a third of adults have received a fake check and at least 1.3 million have become actual victims. With an average loss of \$3,000 to \$4,000 per consumer, billions of dollars have been pocketed by fake check scammers.

"Our failing economy is causing consumers to take desperate measures," Attorney General Darrell McGraw said. "Phony claims of sudden riches or ways to make quick and easy money have never been more attractive."

Opinion Research conducted a telephone survey of 2,000 adults for the CFA Task Force. The survey revealed that the most common fake check scams are those involving sweepstakes or lotteries (66%), grants (36%) and work-at-home opportunities (35%). In the sweepstakes and grant scenarios, the consumer receives a check or money order with instructions to wire a portion of the money to pay taxes or administrative fees. In the phony job scams, consumers are asked to process payments for a foreign business or make purchases as a mystery shopper and wire the remaining money to their employer minus their "pay."

"The check or money order is bogus and so is the story that the consumer is told," explained McGraw. "Unfortunately, the consumer usually doesn't learn that the check is fake until after they wire the money to the crook."

Federal law requires financial institutions to give consumers access to the money from checks or money orders they deposit quickly, usually within 1-5 business days, but just because funds are available doesn't mean the check or money order is good. It may take weeks for the bank to determine the instrument is counterfeit. When the fraud is uncovered, the consumer is often on the hook to repay the bank, credit union or check cashing service. Compounding the problem is the consumer's misunderstanding of the banking process. Fifty-nine percent of the respondents in CFA's survey incorrectly believe that when you deposit a check or money order, your bank confirms that it is good before allowing you to withdraw the money. The number goes up to 70 percent among young adults age 18-24, and 71 percent of people with incomes under \$25,000. More than 40 percent of those surveyed did not know that they are liable for checks or money orders they cash or deposit that turn out to be counterfeit. Fifty-two percent age 18-24 incorrectly said the person who gave you check must pay the bank back.

Another factor is the fact that the scammers are hard to pursue. They often operate from Canada, Costa Rica or other foreign

countries, making it more difficult for U.S. law enforcement agencies to bring legal action against them. In addition, the crooks cover their tracks by picking up the money in cash and using phony identification.

"When a consumer wires money through Western Union or Money Gram to these scammers, there is no remedy under the law for them to recover their money. Once the money is gone, it's gone." McGraw warned.

Created in May 2008, CFA's Fake Check Task Force brings nonprofit consumer organizations, law enforcement and consumer protection agencies, and businesses and trade associations together to fight these scams through greater education and awareness. The campaign has several elements, including new information in English and Spanish about grant and mystery shopping scams on the National Consumers League's www.fakechecks.org Web site and an ecard on the site that consumers can send to warn others about fake check scams. At

www.consumerfed.org/fakecheckscams there are several new CFA resources including a fact sheet and ready-to-use news articles in English and Spanish, and links to other materials.

The CFA Fake Check Task Force has also developed training materials about fake check scams for financial service companies, law enforcement and consumer protection agencies. These materials explain how these scams work, suggest strategies for preventing victimization, offer advice about how to help victims, and provide resources for investigations and public education. These materials are not intended for the general public. Parties interested in receiving the training materials are encouraged to contact Susan Grant at CFA at 202-387-6121.

Additionally, consumers who need the assistance of the Attorney General's Office are encouraged to contact Attorney General Darrell McGraw's toll-free Consumer Hotline at 1-800-368-8808 or visit his website at www.wvago.gov.

Consumer Tips to "Tear Up" Fake Check Scams

Never agree to pay to claim a prize. No legitimate sweepstakes or lottery would ever send you a check or money order and ask you to send payment in return.

Never agree to pay for grants from the government or foundations. They don't offer money to people unexpectedly or charge to get it. Most grants go to organizations, not individuals, and require a lengthy and extensive application process. See tips about grant scams at www.fakechecks.org/prevention-faqs04.html.

Never agree to cash checks and send the money to an employer as part of a job working from home. See new tips on mystery shopping scams at www.fakechecks.org/prevention-faqs05.html.

Never agree to wire money to anyone you have not met in person and not known for a long time. Never use Western Union or Money Gram to send money to a stranger.

If it seems suspicious, get advice. Call Attorney General Darrell McGraw's Consumer Hotline at 1-800-368-8808 or contact the Federal Trade Commission, the Postal Inspection Service, or another trusted source.

Remember that there is no legitimate reason why anyone who wants to give you a check or money order for something would ever ask you to send money anywhere in return. Go to www.fakechecks.org to learn more about how to protect yourself from fake check scams.

The Consumer Federation of America (CFA) is a non-profit association of over 280 pro-consumer groups, with a combined membership of 50 million people. CFA was founded in 1968 to advance consumers' interests through research, advocacy and education.

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